

2009 Budget Update

Presented To The City Council

April 7, 2009

WHAT HAS CHANGED SINCE AUGUST 2008?

Slowdown in economic activity

- U.S. recession actually began in December 2007
- Impact on Wichita began in late summer 2008



INITIAL RESPONSES

- Deferred street maintenance awards
- Deferred 2008 earned merit increases
- Reduced hiring activity; reviewed contracted part time staffing and overtime



EXPENDITURE REVIEW PROCESS

- Received input from Departments
- Developed guiding principles
- Sought assistance from WSU
- Formed a Budget Steering Committee (Dept heads)



GUIDING PRINCIPLES

- To provide necessary direction for reducing expenditures, a set of principles was developed
- Based on Council goals and policies, staff developed 10 “Guiding Principles”
 - Intended to encourage transparent discussion of budget options, based on an common guidelines



GUIDING PRINCIPLES

1. Protect on-street response levels for public safety.
2. Maintain services for those residents in the greatest economic need.
3. Empower citizens to positively impact their neighborhoods through partnerships.
4. Protect the City's investment in its infrastructure.
5. Strategically use technology to improve operations while introducing cost and process efficiencies.



GUIDING PRINCIPLES

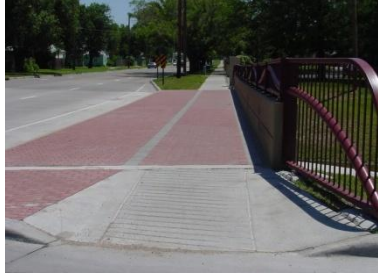
6. Maintain the City's investment in a skilled workforce
7. Invest strategically in economic development.
8. Protect partnerships that leverage outside funding for service delivery.
9. Continue to recognize the value of the cultural arts and work to strengthen private sector partnerships.
10. Actively pursue organizational restructuring and process improvement while maintaining an effective administrative and managerial network.



RECOMMENDATIONS FOR 2009

- Staff has developed a package of recommendations to balance 2009
- Staff constantly monitor cash flows; continued adjustments may be necessary
- Certain areas may require layoffs, if conditions continue to deteriorate
- With a plan for 2009, attention will shift to a more strategic review of 2010





Supplemental Detail

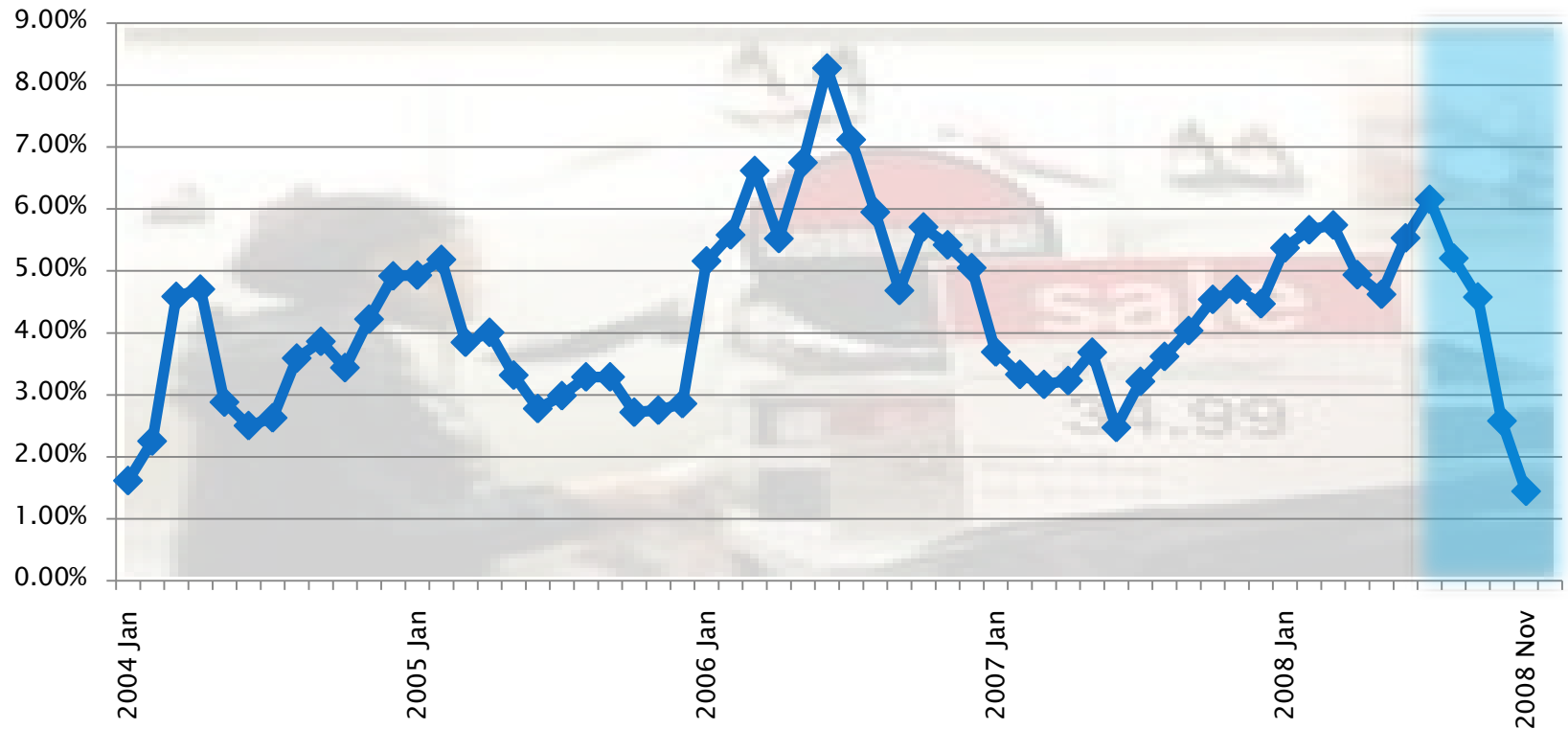
RECESSION LESSONS

- Most recessions last 10 – 18 months
- Wichita lags the US; City revenues lag area economic activity
- 2009 will be an off year; 2010 will likely be a worse year



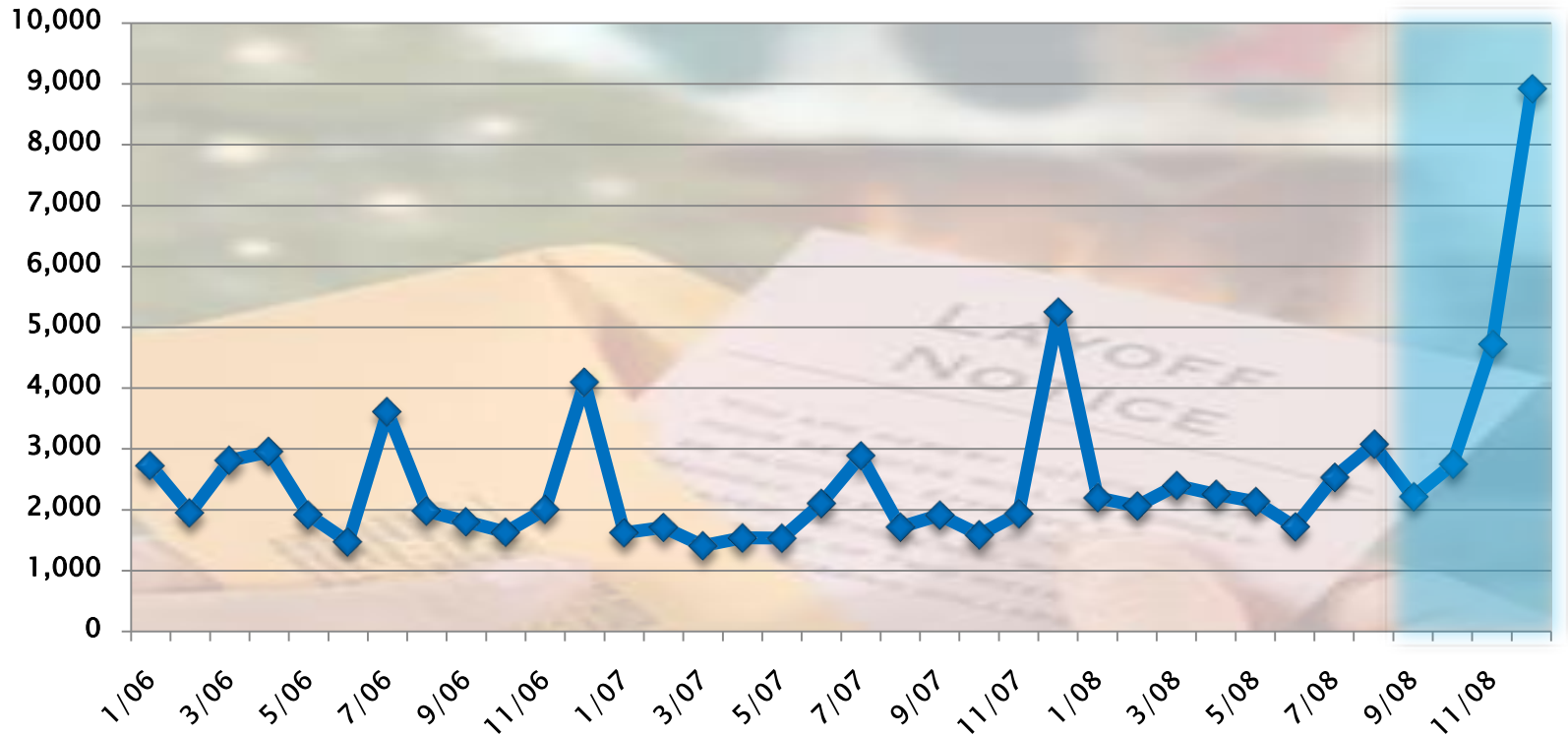
SALES TAX COLLECTION GROWTH

State Sales Tax Growth



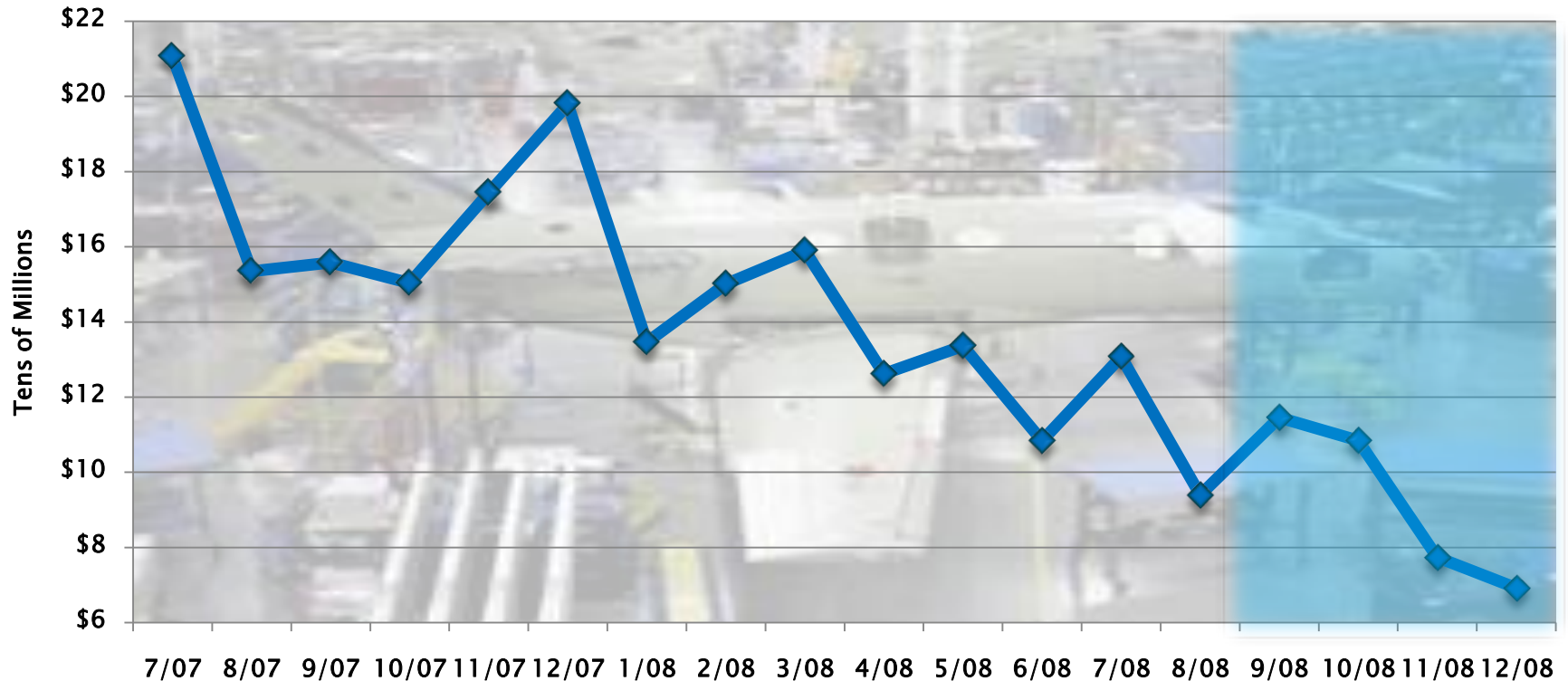
WICHITA UNEMPLOYMENT

Unemployment Claims in Wichita



AIRCRAFT ACTIVITY

New Aircraft Orders in Wichita



IMPACT ON CITY BUDGET

- 2009 Adopted Budget was developed in April–June 2008, and adopted in August 2008
- Based on events in the last 6 months, the 2009 Adopted Budget is out of date
- Now expect 2009 revenues to be \$6.5 million less than previously expected
- Changing 2009 expenditures is a challenge, since many costs are contractually set



2009 REVISED GENERAL FUND BUDGET

2009 Adopted Budget	\$208.0
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Anticipated State Reductions	(1.7)
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Economically sensitive	(3.1)
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Other adjustments	<u>(1.7)</u>
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2009 Revised Budget	\$201.5
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2009 REVISED GENERAL FUND BUDGET

- Expect revenues of \$201.5 million; \$6.5 million less than adopted
- State actions will reduce M&E (\$.5 million) and gas tax (\$1.2 million)
- Economic slowdown will affect Sales Tax (\$.5 million); MVT (\$.4 million); Interest (\$1.5 million); and Gas Tax (\$.7 million)
- Other adjustments total –\$1.7 million



EXPENDITURE REDUCTION TOTALS

Street Maintenance	\$1 million
Health insurance rates	\$1.2 million
Health insurance rate holiday	\$1.35 million
2008 merit payment	\$41 thousand
Salary and Wage containment	\$.5 million
Fuel price assumption	\$.9 million
Department submitted	<u>\$1.6 million</u>
Total	\$6.6 million



2009 REVISED GF BUDGET

2009 Revised Revenue Budget	<u>\$201.5</u>
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2009 Adopted Expenditures Budget	\$208.0
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Street Maintenance	(1.0)
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Cost Assumptions	(3.5)
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Wage adjustments	(0.5)
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Department submittals	<u>(1.6)</u>
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2009 Revised Expenditures	<u>\$201.4</u>
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STREET MAINTENANCE

- Baseline funding has been around \$6 million annually
- Outcome is measured by the Pavement Condition Index (PCI)
- For 2009, Council approved the shift of 1 mill (\$2.5 million) for additional street maintenance
- Proposal would decrease supplemental funding to \$1.5 million
- Stimulus funds available for street maintenance



HEALTH INSURANCE

- Council approved rates (Oct) for 2009 included 2% growth; budget (Aug) provided 10% growth
- Savings of around \$1.2 million
- Fund has reserves around \$9 million
- Proposal would reduce reserve by one-time reduction in premiums to employees and the City (\$1.3 million benefit to the City GF)



MERIT PAY FOR 2008

- Nearly 500 employees did not receive merit pay based on performance in 2008
- Proposal provides one-time payments, in lieu of increasing base salaries
- One time payments will reduce future year costs and have lower fringe benefit costs
- One time payments will increase compression



FUEL

- \$4 million is budgeted for fuel, based on higher fuel prices of 2008
- With recession has come lowered fuel prices; based on current pricing the budget can be lowered by up to \$910,000
- Fuel remains volatile and uncertain



2009 EXPENDITURE PROPOSALS

Department submitted:

Expenditures efficiencies	275,803
Holding targeted positions*	633,614
Direct Service Adjustments*	249,712
Funding source shift	200,000
Equipment deferrals	191,500
Training	<u>99,180</u>
Total	\$1,649,809



2009 EXPENDITURE PROPOSALS

Holding targeted positions:

– Cowtown (seasonals)	\$60,000
– Delay 4 th Battalion (Fire)	64,240
– Library staffing	13,132
– Hold two Police LT positions	148,960
– Two Park positions	110,000
– Schedule recruit class in Sept	83,248
– Others	<u>154,034</u>
TOTAL	\$633,614



2009 EXPENDITURE PROPOSALS

Direct Service Adjustments:

– Reduce Park Mowing seasonals	100,000
– Reduce Swimming pool hours	2,000
– Close Police Substations (11pm – 7am)	<u>147,712</u>
TOTAL	\$249,712



2009 BUDGET DEVELOPMENT

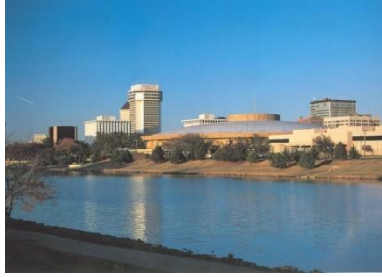
- Proposals are a stop-gap to aim for a balanced 2009 budget
- Revenue estimate will be re-adjusted as more data is available
- WSU staff have reviewed and validated the guiding principles and expenditure reductions



2010 BUDGET DEVELOPMENT

- Work on the 2010 budget has begun; challenges are expected to be greater
 - Focus on longer term, programmatic and outcome based decisions
 - More flexibility: no employment contracts; health insurance contracts; more time to make programmatic shifts
 - WSU staff have begun an environmental scan process





Questions and Comments

April 7, 2009